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# LOCAL CONTENT REQUIREMENTS IN RENEWABLE ENERGY AUCTIONS

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# AGENDA

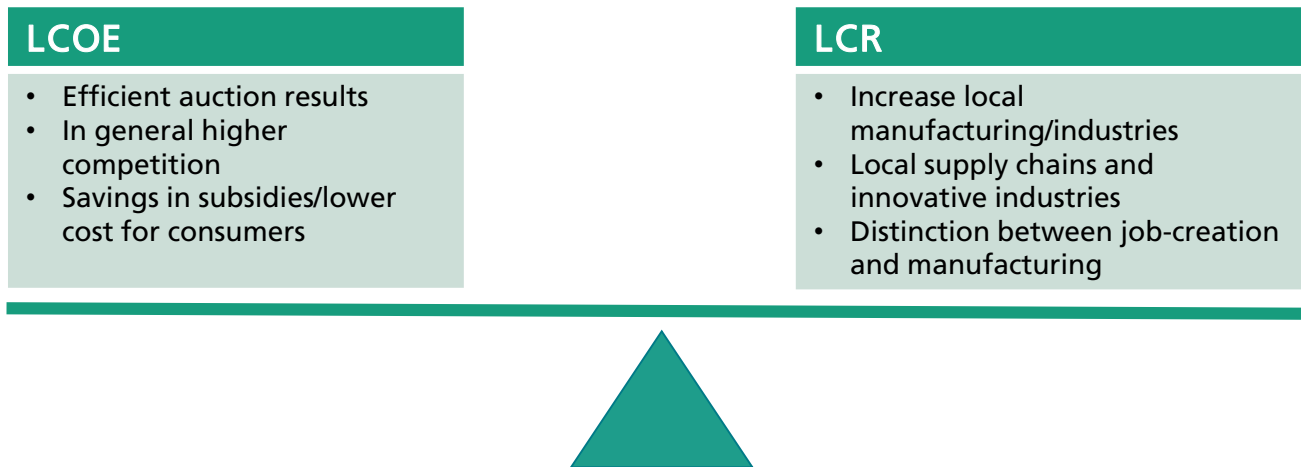
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- Motivation
- Design options
- International experience
- Saudi Arabia: Sakaka PV plant
- Key recommendations for LCR implementation
















# Motivation

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- Local Content Requirements (LCR) can influence both (static and dynamic) efficiency as well as effectiveness
- In many emerging markets, LCR considered an important instrument to foster local manufacturing, implement local supply chains and innovative industries
- Trade-off:

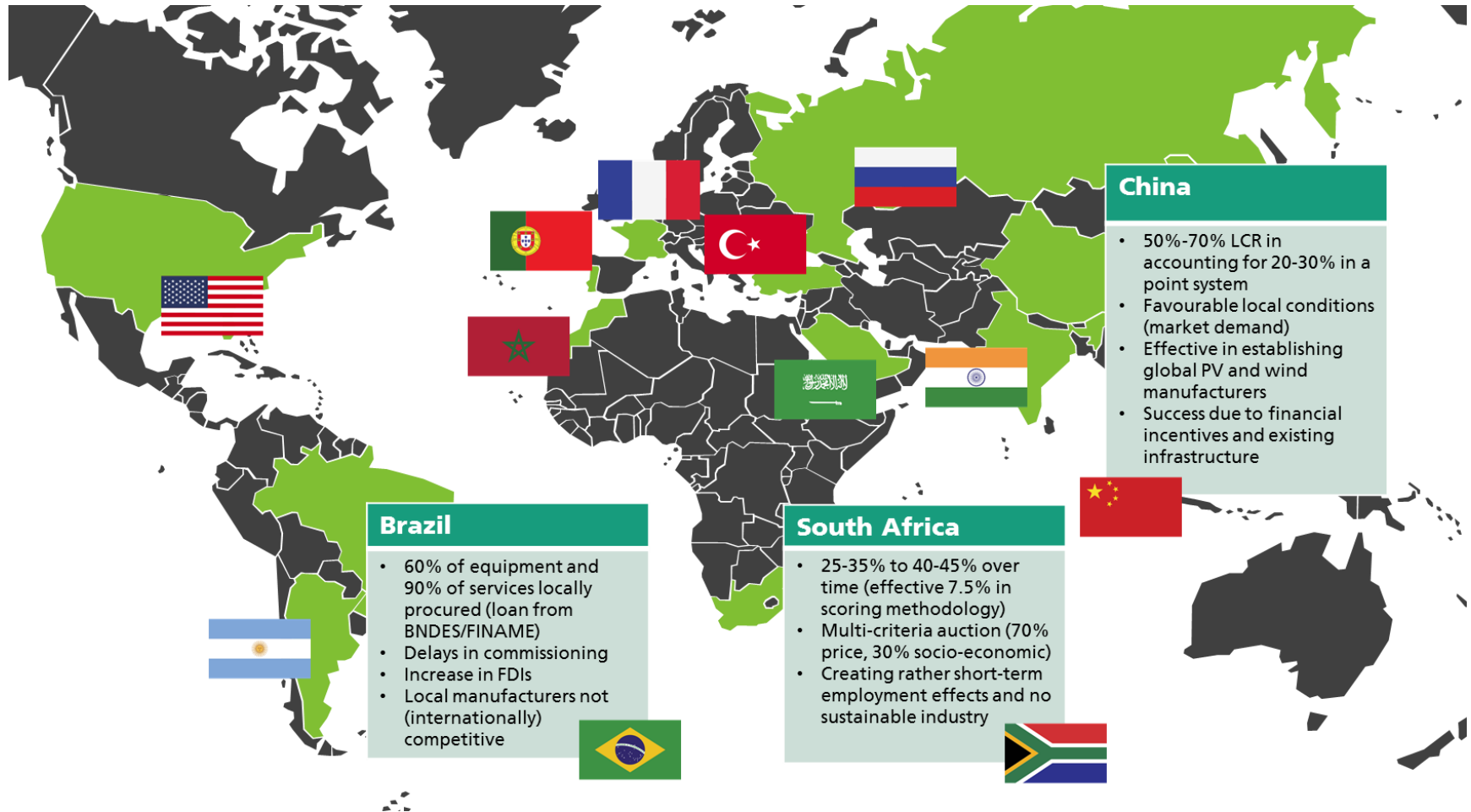


# Design options

Design	Countries	Achieving LCR	Target specific components	Implementation by country	Implementation by bidder
Minimum requirement to participate					
Benefits during the auction process					
Multi-criteria (point system)					

# International experience

## Examples from Brazil, China and South Africa



# Saudi Arabia: Sakaka PV plant(300 MW)

Record low bid of 1.78 USDct/kWh in spite of LCR

- In 2017, REPDO received six bids (out of eight) under 3 USDct/kWh
- EDF/Masdar bid of 1.78 USDct/kWh not shortlisted for final phase (due to financial sustainability/LCR?)
- ➔ Saudi company ACWA Power won the tender with **2.34 USDct/kwh**

## Background

Land availability	Land for free
Promising market	First-mover advantage – 2020: 3.45 GW, 2023: 9.5 GW, 2030: 200 GW?
Marketing	Incentive to enter KSA energy market to promote different technologies
LCR	Moderate level of 30%, can be easily achieved through O&M
Grid connection	Provided by the government
PPA	FIT for 25 years
Predevelopment	Conducted by REPDO, which serves as a one-stop shop

# Key recommendations for LCR implementation

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- Transparent and detailed procedure
  - Include third-party monitoring of implementation
- In-depth assessment of prevailing market conditions to ensure effective implementation and to mitigate disadvantages
- LCR design depending on focus of industrial policy (job creation vs. sustainable supply chain)
- Gradual increase of LCR requirements
  - First phase should focus on market establishment
  - Consequent rounds focusing on consolidation of industry
- LCR have to be supported by additional measures (e.g. tax incentives and import taxes, training opportunities, subsidies, etc.)